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KEY ECONOMIC INDICATORS *
($US millions on fiscal year basis unless otherwise indicated)

	1987	1988	1989(e)	1990(e)
Population (millions)	6.7	6.9	7.1	7.3
Population Growth (%)	2.7	2.7	2.7	2.7
Per Capita GNP ($U.S.)	520	650	648	663
DOMESTIC ECONOMY				
GDP (billions of CFA)	1,338	1,433	1,470	1,565
Nominal GDP (% change)	9.4	7.1	2.6	6.5
Real GDP (% change)	4.2	4.4	0.6	4.5
GDP Deflator (% change)	5.0	2.5	1.9	2.0
Consumer Price Index (% change)	0.4	-2.6	-1.9	2.0
PRODUCTION AND EMPLOYMENT				
Labor Force (millions)	3.4	3.5	3.6	3.7
Industrial Production Index (1976=100)	109.1	113.7	119.0	NA
Government Operations Surplus/Deficit as % of nominal GDP (cash basis)	-4.6	-5.2	-4.3	-4.3
BALANCE OF PAYMENTS				
Exports (fob)	631	749	778	862
Imports (fob)	902	1004	987	1057
Merchandise Trade Balance	-271	-255	-209	-195
Current Acount Balance	-254	-258	-211	-158
Foreign Debt	3,106	3,768	3,723	4,079
Debt Service Paid (after rescheduling)	267	336	277	249
Debt Service Owed (before rescheduling)	350	425	446	431
Debt Service Ratio (after resched, pct)	23	25	19	18
Average Exchange Rate (CFA/$US) (FY)	319	292	315	300
FOREIGN INVESTMENT				
U.S. Direct Investment (stock)	27	29	29	29
U.S. MERCHANDISE TRADE				
U.S. Exports to Senegal (fas) (CY)	49.0	69.1	68.7	NA
U.S. Imports from Senegal (cif) (CY)	7.4	8.2	5.5	NA
U.S. Share of Senegal's Exports (%)(CY)	1.2	1.1	0.7	NA
U.S. Share of Senegal's Imports (%)(CY)	5.4	6.9	7.0	NA
U.S. Bilateral Aid	45.1	31.9	52.5	44.3
Economic Assistance	42.5	30.8	52.0	42.0
Military Assistance	2.6	1.1	0.5	2.3

Principal U.S. Exports to Senegal: Rice, Industrial Chemicals, Used Clothing, Tobacco, Tallow

Principal U.S. Imports from Senegal: Seafood, Artifacts, Commodities

* Figures subject to revision.
NA = Not Available; (e)=Estimate; (CY)=Calendar Year; (FY)=Fiscal Year
Sources: Government of Senegal Ministry of Finance, IMF, World Bank, USAID/Senegal, U.S. Department of Commerce.

SUMMARY

Thirty years after Senegal achieved independence, its resource poor economy remains fragile and dependent upon foreign donors for continued viability. The country's major resources are agriculture, fishing, and phosphates. The population is just over 7 million persons, and World Bank figures list 1988 per capita GNP as only $650.

For the past eight years, Senegal has been pursuing a sweeping structural adjustment program, with the assistance of the International Monetary Fund (IMF), the World Bank, USAID and other major donors, aimed at facilitating economic growth and development by reducing the role of the government in the economy, improving public sector management, and enhancing incentives for the private sector. Since 1985, real GDP growth has risen by an average of just over 3.6 percent, the current account deficit has declined as a percentage of GDP, domestic savings have increased, and the inflation rate has fallen to about 2 percent. In 1988/89, because of uneven rainfall, locust infestations and civil disturbances, GDP growth plummeted to less than 1 percent in real terms and the budget deficit surged. Although macroeconomic indicators generally recovered their favorable trends in 1989/90, the government's fiscal performance fell short of expectations. The government is currently proposing to implement additional revenue enhancement measures and expenditure cuts to restore budgetary discipline and to reduce further the budget deficit.

On a brighter note, since 1987, the trade picture has continued to improve with healthy growth in export earnings outpacing import growth. Increases in world peanut oil prices, as well as a 22 percent rise in the value of minerals exports, helped boost export earnings. Lower world petroleum prices helped keep modest the growth in the value of imports.

In February 1990, Senegal negotiated an eighth debt rescheduling agreement with official creditors at the Paris Club. The latest agreement provides roughly $130 million in debt relief.

Senegal's hard-won economic gains remain vulnerable to events both within and outside of government control. Getting a grip on the government budget by limiting expenses and redoubling revenue collection efforts is the number one priority at the moment. However, even if the government succeeds, the economic gains of the past few years could be quickly negated by poor rainfall and a poor harvest.

CURRENT ECONOMIC SITUATION AND TRENDS

Senegal's overall economic performance since independence has been disappointing. Between 1965 and 1987, the average annual GNP growth rate was negative (-0.6 percent). Yet, over the shorter period from 1986 to 1990, the average annual real GNP growth rate

was 3.6 percent. This improvement can be attributed in large measure to some improvement in rainfall, but also to the economic reform effort which Senegal has undertaken during this period. Under the structural adjustment program, macroeconomic performance, in terms of growth, inflation, the balance of payments, and the state budget, has been generally good. The exceptions are the weak growth rate in 1988/89, and more recently the budget problems posed by unanticipated revenue shortfalls and expenditure overruns. Thanks to good harvests in the 1989/90 crop year, real GDP growth is expected to rebound to about 4.5 percent.

Senegal's principal economic resource is the agricultural sector, accounting for 21 percent of real GDP. Overall economic output is closely linked to the amount of rainfall received during any given year. When the first of a series of droughts struck in the latter part of the 1960s, the economy deteriorated rapidly. Since then, considerable efforts have been made to diversify the economy beyond peanuts. Today, fish, phosphates, tourism, and refined petroleum products (processed from imported crude and exported to neighboring countries) are also major foreign exchange earners.

News from the external sector remains relatively good, with the trade balance continuing to improve. Latest FY 90 estimates show export receipts growing by more than 5 percent (in FCFA terms) while the import bill grew by just under 2 percent. Two major contributors to the improved export picture are the increased earnings from minerals and peanut product exports. The import bill benefited from a nearly 13 percent drop in the value of imported petroleum products (due largely to the decline in world oil prices and not to a reduction in the volume of imported oil). The overall trade deficit is estimated to have fallen by over 10.5 percent from the previous year.

Except for processed fish products and phosphate, the bulk of Senegalese industrial exports is directed towards the ECOWAS (Economic Community of West African States) markets where they are highly protected. In general, exports are not competitive in other markets despite preferential tariff arrangements in the European Economic Community (EEC).

Senegal has just completed the second year of a three-year IMF Extended Structural Adjustment Facility (ESAF) program and has drawn $136 million of the $190 million for which it will be eligible if it continues to meet IMF requirements. The government is planning to introduce new revenue enhancement measures and expenditure cuts to restore budgetary discipline and lay the basis for a third and final year under the ESAF.

The World Bank continues to support Senegal's reform effort through a series of structural adjustment loans (SAL). Efforts to promote labor flexibility, eliminate administrative bottle-

necks, reduce the civil service wage bill, and privatize parastatals have been less than completely successful. The government and the World Bank are hopeful that further progress will be made to stimulate private sector development and improve public sector management while reducing the costs of government operations in the context of the bank's $80 million SAL-IV.

BALANCE OF PAYMENTS

Thanks to the improvements in the merchandise trade picture, Senegal's balance of payments position continues to improve. The current account deficit has narrowed from around $338 million in fiscal year 1986 to a projected $158 million in fiscal year 1990. Most of this can be attributed to improvements in the merchandise trade balance (where export earnings have grown faster than import costs) and to a decline in capital flight overseas.

EXTERNAL BEBT

The developments on debt over the past year have been generally favorable. In February 1990, Senegal negotiated an eighth debt rescheduling agreement with its official creditors at the Paris Club. Relief provided by the agreement totalled about FCFA 43.4 billion ($145 million), of which just over $5 million is owed to the United States.

KEY PRODUCTIVE SECTORS

Agriculture: The return of good rainfall patterns during the 1989/90 crop year helped the agricultural sector rebound from the poor performance of the previous year. The total food crop production of 1.1 million metric tons was 24 percent higher than the previous year's level. The main crops responsible for this healthy increase were millet, sorghum and rice, the production of which grew by 32, 16 and 15 percent respectively. The three products accounted for over 85 percent of total food crop production.

The peanut crop registered a healthy turnaround as well. Total production for the 1988/89 crop year barely reached 723,000 metric tons. In contrast, peanut production in 1989/90 rose 17 percent to just over 844,000 metric tons. This increase is even more remarkable in light of the fact that the area planted during the crop year was down 13 percent from the year before. The good rains more than offset the drop in area by increasing average yields almost 35 percent. Although the peanut sector's contribution to foreign exchange earnings has dropped below those of fishing and phosphates, the sector continues to play an important role in the economy.

For many years the peanut was Senegal's principal export commodity and hard-currency earner. In 1985, peanut products (primarily peanut oil and peanut cake) accounted for almost 26 percent of Senegal's merchandise export earnings. By 1987 export sales of peanut products decreased to about 19 percent of total merchandise

export revenues. Government estimates show exports of peanut products earned about $160 million in 1989, roughly 18 percent of total merchandise export earnings.

Fishing: The fishing sector is the premier hard currency earner for Senegal. Government estimates for 1988 show that Senegal earned about $209 million from its exports of fish and fish products, about 28 percent of merchandise export earnings. Government estimates and projections show fish export earnings growing by 1.4 percent in 1989 and 4.4 percent in 1990. The government earns additional revenue from foreign vessels fishing in Senegalese waters. The industrial fishing sector, geared towards exports, includes both Senegalese vessels and vessels of foreign enterprises operating under license. Foreign vessels account for roughly 60 percent of the industrial sector's catch.

Minerals: Exports of minerals earned roughly $105 million in 1989, up over 22 percent from 1988. Calcium phosphates are the principal Senegalese mineral. In 1989, exports of calcium phosphates accounted for roughly $91 million in export earnings, or about 86 percent of total minerals export earnings. In value terms, exports of calcium phosphates were 26 percent greater than in 1988. Three other minerals combined to account for about 12 percent of mineral export earnings in 1989: salt ($4.5 million), attapulgite ($4.2 million), and clinker phosphate rock ($3.9 million).

The mining sector has good potential for development. Prospecting for titanium, uranium, copper and other minerals is under way. A consortium of Senegalese, French, Japanese and German partners is hoping to develop large-scale iron ore deposits near the border with Mali; however, successful exploitation of the deposits will depend upon prior upgrading of the domestic infrastructure. There is renewed oil and natural gas exploration activity under way on land and in Senegalese waters. As with most mineral resources, the potential for exploitation depends upon the vagaries of international commodity markets.

Tourism: Senegal's broad stretches of beautiful, sun-drenched beaches have made the country a favored vacation spot for Europeans. Tourism revenues in 1988 were around $142 million and accounted for about 2.5 percent of GDP. Most tourists wind up spending their time at the beach hotels along Senegal's coast. The peak season runs from December through February. There were 255,646 tourist visitors in 1988, an 8.6 percent increase from 1987. According to the Ministry of Tourism, 1989 saw 259,096 visitors to Senegal, a modest rise of 1.3 percent. Sixty percent of the foreign visitors come from France, while just under 5 percent arrive from North America.

Industry: The industrial sector accounts for about 27 percent of GDP, with manufacturing accounting for about 17 percent. Senegal's

level of industrial activity is heavily affected by agricultural performance. Of the four industrial activities which account for 10 percent or more of the industrial production index, food processing is by far the largest with 43 percent. Oilseed processing, together with sugar and confectionary products, account for over 25 percent of the index. The other major industrial activities (with their share of industrial production) are: phosphate mining (16 percent), chemicals and oil (11 percent), and textiles (10 percent).

Other activities include metal and mechanical industries, construction materials, and paper industries. The largest 140 enterprises generate about 95 percent of production. The largest 40 account for 80 percent.

IMPLICATIONS FOR THE UNITED STATES

Senegal is a poor country with a weak economy. The World Bank's 1989 World Development Report ranks Senegal as the 43rd poorest country of 129 countries with populations greater than 1 million persons. According to U.S. Department of Commerce statistics for 1988, of the 173 trading partners of the United States, Senegal ranked 106th as a market for U.S. goods and 133rd as a supplier of U.S. imports. Prospects for a significant upward shift in these rankings in the near future are dim. Nevertheless, trade and investment opportunities do exist for firms willing to devote the time and energy needed to succeed in the Senegalese marketplace.

Trade: The latest trade statistics from the Senegalese government show that, in 1988, Senegal imported goods worth roughly $1.0 billion. The largest single component was imports of food, beverages and tobacco, which accounted for about 24 percent. Other major components were semifinished goods (21 percent), energy and lubricants (18 percent), finished consumer goods (18 percent), and finished industrial products (13 percent). France was the largest single supplier to Senegal with a 31 percent market share. The United States was the third largest supplier in 1988, with just over 6 percent of the market.

In 1989, U.S. merchandise exports to Senegal were $68.7 million, almost unchanged from the $69.1 million of 1988. Rice was the leading export, with $29 million sold in 1989, up more than 65 percent from the $17.6 million exported the previous year. Rice accounted for 42 percent of total U.S. merchandise exports to Senegal. Other leading exports included sulfur ($7.7 million), tallow ($3.9 million), tobacco and tobacco products ($2.6 million), and used clothing ($2.3 million).

In view of the nature of the Senegalese market, the Embassy believes that the following areas hold the greatest potential for U.S. exporters: food (primarily cereals, but also frozen meats and poultry), fishing equipment (particularly seaworthy outboard

motors), agro-industry equipment (especially for irrigation), telecommunications equipment, industrial supplies and consumer products.

Investment: The fishing, agro-industrial and mining sectors continue to represent the best prospects for productive investment in Senegal.

The government places a high priority on encouraging foreign investment. Senegal seeks foreign investment as a boost to export-led growth, to fill the void left by government divestiture, and generally to effect economic transformation. In July 1987, Senegal adopted a new investment code designed to provide transparency and equitable treatment of foreign firms and to do away with the ad-hoc special conventions of the previous code. The law guarantees free transfer of capital and profits, and in certain instances, exemption from duty on imports of capital equipment. The law provides additional incentives to small and medium-sized enterprises and to investors willing to locate outside of the Dakar-Cap Vert region and streamlines the process of government approval of projects. In September 1989, in an attempt to revitalize private investment, the government amended the law to allow investors greater flexibility in hiring and firing employees.

The Dakar Industrial Free Zone (ZFID), a government-owned and-operated free trade zone, was established by the Government of Senegal in 1974 to encourage foreign and domestic investors to set up labor-intensive export-oriented industrial companies to help reduce Senegal's chronic trade deficit and create jobs. The ZFID offers a number of tax and trade benefits to attract investors, including: exemption from customs duties and all Senegalese taxes, except for payroll taxes on local and expatriate salaries; freedom to transfer profits, royalties, and dividends; no restrictions on hiring expatriate personnel; and the advantages stemming from Senegal's membership in the Economic Community of West African States (ECOWAS) and the West African Economic Community (CEAO)--which entail a potential market of 200 million consumers, as well as beneficiary status under the Lome Convention with the EEC. The ZFID is managed by an autonomous administration under the Ministry of Industrial Development. There are currently nine companies operating in the ZFID, one of which is American.

American firms wishing to do business in Senegal should be able to communicate in French. While the number of English-speaking business people continues to grow, French remains the principal language of international business in Senegal. Language barriers notwithstanding, price continues to be the most important sales factor in penetrating the Senegalese market.

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